whether on a wholesale or retail basis. Although MCI disagrees with the Commission's decision to permit the BOCs to provide unbundled network elements to their affiliates for the provision of local services, there is no reason to prohibit the BOCs from providing to their own affiliates the local and access services -- whether on a wholesale or retail basis -- that they have always provided to the public and that they must provide on a nondiscriminatory basis to other carriers under Section 251.

That the interLATA affiliates should not be denied the right to obtain the same local and access services that competing interexchange providers obtain from the BOCs does not mean that they should be granted the right to purchase wholesale interLATA services that the BOCs never provided to interexchange carriers under the MFJ. The interpretive issue facing the Commission now is whether there is a wholesale exception to the constraints of Sections 271 and 272 governing interLATA services. The BOCs' provision of local exchange and access services is irrelevant to that issue.

4. Does the concern for discrimination and cost misallocation depend, in part, on the particular kind of in-region wholesale interLATA service a BOC seeks to offer? For example, does it matter whether the wholesale service being offered is bundled end-to-end interLATA service or a interLATA service that merely transmits traffic from a point of presence POP) in one LATA to a POP in another LATA? Are there some kinds of services that, in practice, could not be provided in a nondiscriminatory manner?

Whether the BOC is providing end-to-end wholesale in-region interLATA service or only POP-to-POP wholesale in-region interLATA service makes no difference; any BOC provision of wholesale interLATA service raises tremendous discrimination and cross-subsidy concerns. There is no difference between these two variations because where the BOC is providing POP-to-POP interLATA service, it will also be providing the access between the POP and the customer at least on the originating end and, in many cases, on the terminating end as well.[13] It also makes no difference whether the BOC or its affiliate purchases the terminating access for those calls that terminate out-of-region. Whether the affiliate buys access and POP-to-POP transmission in one transaction or in two, the competitive consequences are the same. As explained above, it is impossible for a BOC to act in a nondiscriminatory manner in designing, constructing and operating an interLATA network for its Section 272 affiliate. The bookkeeping practices internal to that provisioning cannot affect its discriminatory impact.

That is especially true when a BOC uses its "official services network" to provide interLATA services through its separate affiliate. Although the official services networks cross LATA boundaries, they were ostensibly built for internal purposes, to facilitate the BOCs' provision of local, access and other intraLATA services.[14] Thus, there should not be

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[13] A substantial percentage of interLATA calls terminate in the same RBOC region from which they originate, and that tendency will increase if and when the pending RBOC mergers are consummated.

[14] See United States v. Western Elec. Co., 907 F.2d 160, 163-64 (D.C. Cir. 1990); United States v. Western Elec. Co., 569

significant extra capacity in those networks that could be used for commercial interLATA services. If, in fact, extra capacity has been built into those networks for interLATA service purposes, the BOCs have been engaging in massive cross-subsidization.

Moreover, if the BOCs are permitted to use those networks for in-region interLATA services, as well as the intraLATA services they are used for now, it will be impossible as a practical matter to separate BOC facilities by function or to prevent cross-subsidization or discrimination. The requirement of Section 272(b)(1) that the separate affiliate "operate independently" from the BOC should be construed, as explained in MCI's previous comments, to mandate maximum physical separation between the BOC and its interLATA affiliate, in order to help prevent discrimination and cross-subsidization, as well as to minimize the regulatory enforcement burdens on the Commission. Thus, the BOC should not jointly own or use any facilities or property, especially transmission and switching facilities, with its interLATA affiliate. That is why Congress already made the policy decision in Section 272(b) to require physical separation of the interLATA affiliate from the BOC, thus obviating any need for the complex, subjective judgments that must be made in allocating such joint facilities costs.

The Commission is therefore correct to require the BOCs to "clarify precisely what kind of wholesale interLATA service they

F. Supp. 1057, 1097-1101 (D.D.C. 1983).

would seek to provide, if any, using the excess capacity on their official services networks." Since the answer should be that there is no such excess capacity, any indication that they intend to use those networks for interLATA services is tantamount to an admission of cross-subsidization. The BOCs therefore should also clarify why they have sufficient excess capacity, how that capacity was funded (especially whether local and access ratepayers paid for it), how the separate affiliate would compensate the BOC for use of that capacity, how the BOC would make whole the local and access ratepayers who paid for that capacity, if they did, and how the BOC would ensure that unaffiliated carriers have exactly the same opportunity to acquire this excess capacity as its separate affiliate.

Conclusion

For the reasons stated above, the Commission should reaffirm its prior holding that Section 272(e)(4) is not an independent, open-ended grant of authority to the BOCs to provide interLATA facilities and services to their separate affiliates free of the restrictions in Sections 271 and 272 of the Act, but, rather, only establishes the nondiscrimination requirements for the provision of interLATA facilities and services that BOCs are otherwise permitted to provide on an unseparated basis under Sections 271 and 272.

Respectfully submitted,

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Dated: April 17, 1997

Exhibit A

SPECIAL REPORT Auto leasing hits brakes as sellers clip incentives **Page L1**

HOLY DOW! A look at local stocks after a wild week **Page 4**

CRAIN'S CHICAGO BUSINESS

CCBMAIL@AOL.COM (THIS ISSUE IN 2 SECTIONS) VOL. 20, NO 14 APRIL 7, 1997 $3.00

LATE NEWS

FIRM OFFERS $22-MIL. FLOOD SETTLEMENT

▶ **Great Lakes Dredge & Dock Co.** proposed a maximum $22-million settlement last week with nearly 200 downtown firms affected by the 1992 Chicago flood. The deal won't be final until it is approved by each plaintiff against the Oak Brook company, a process that could take several weeks. "I believe it will be settled," says William Harte, one of several attorneys involved in the class-action lawsuit against Great Lakes, whose repair of Chicago River pilings led to a rupture in the underlying tunnel and widespread Loop flooding. The deal is similar to the firm's $26-million settlement with the city last month, which provided $3 million in cash and rights to collect the rest from its London insurers, says **Douglas Mackie, CEO of Great** Lakes. Meanwhile, the plaintiffs

Top execs exit Ameritech

CEO Richard Notebaert must deal with key executive changes as the company reaches a critical juncture in the post-deregulation era.

Consumer services: President Mitch Wienick leaves phone company's largest unit. Cellular chief John Rooney takes over.

Cellular: Herb Hribar, vice-president in charge of European operations, replaces Mr. Rooney as president.

Long-distance: President Steven Nowick leaves after strategic shift gives control of long-distance marketing to other units

Consumer, long-distance chiefs are latest hang-ups

By JOSEPH B. CAHILL

Executive changes are shuffling the lineup at Ameritech Corp. just as competition is heating up in key markets.

Departures over the past two weeks have brought new leadership to four Ameritech business units. They represent the latest turns of a revolving door on the executive suite at the $15-billion telecommunications giant.

Last week, the company confirmed that the head of its largest business—consumer services—has left for another company and will be replaced by the chief of its fast-growing cellular unit.

Also gone are the presidents of Ameritech's much-touted long-distance unit and its security monitoring business.

The departure of long-distance chief Steven Nowick, 43, signals a major strategy shift that reduces the role of the unit. The company's main consumer and

See **AMERITECH** *on Page 44*

McD's race for life in the faster food lane

High-tech kitchens may heat up sales

onions—is guaranteed to arrive within 3.5 minutes, or the meal is eliminated.

Franchisee Steve Bigari, who re-

Hello, hello? Ameritech's latest executive hang-ups

AMERITECH *from Page 1*
business services units will now lead the long-stalled charge into long-distance—as soon as federal and state regulators open the gate.

Company officials would not comment on the prospect of layoffs at the long-distance unit, which, over the past 2½ years, has built a fully staffed headquarters operation in northwest suburban Rosemont.

Meanwhile, the $4.7-billion consumer services business is facing the prospect of competition for residential customers for the first time just as President Mitch Wienick—a 48-year-old consumer products expert recruited from Borden Inc.—leaves to become CEO of CDI Corp., a technical outsourcing firm based in Philadelphia. John Rooney, 54, exits the cellular unit to replace Mr. Wienick just as the wireless industry is poised to explode with competition.

Security monitoring chief Stephen Pazian, 47, departs for the CEO spot at a subsidiary of California's Edison International at an equally inopportune time: The unit is in the midst of a shift from commercial to consumer markets.

'Losing your generals'

Taking Mr. Rooney's place at cellular is Herb Hribar, 45, now in charge of Ameritech's European operations. Patrick Earley, vice-president of finance for the long-distance unit, replaces Mr. Nowick. And Eljay Bowron, 46, director of the U.S. Secret Service, will take over security monitoring.

"It's losing your generals just before you go into battle," says securities analyst David Otto, who follows Ameritech for Edward D. Jones & Co. in St. Louis.

But a company spokesman says the executive departures will have little impact in an organization as large as Ameritech.

"We're deep in talent," he says, pointing out that turnover is high throughout the telecommunications industry. The top-shelf jobs offered to Messrs. Wienick and Pazian are testimony to Ameritech's success in recruiting high-caliber executives from more competitive industries, he adds.

Beyond possible disruption at the business units, the wave of defections continues a trend at the upper levels of Ameritech.

Of the three exiting executives, none had been with the company longer than four years. Mr. Wienick joined in 1993, Mr. Nowick in 1994 and Mr. Pazian in 1996.

Other top-level departures in the past year include Andrew Patti, former chief operating officer of Dial Corp., who left after only five months as executive vice-president and head of the consumer and business services—the No. 2 slot at Ameritech. Former sports executive Timothy Connolly, who was senior vice-president in charge of the Ameritech telephone network and a member of the executive committee until 1996, left after 11 months on the job.

Another executive committee member, Senior Vice-president of Corporate Communications Rita Wilson, left a year ago—after 19 months—to return to her previous employer, Allstate Corp.

All of the departing executives

All of the departing execs were recruited from unregulated industries to infuse Ameritech with competitive blood.

were recruited by CEO Richard Notebaert from unregulated industries to infuse Ameritech's monopolistic culture with competitive blood as its markets are opened to competition.

But with real competition in local service still theoretical, Ameritech has yet to feel the pain that changes attitudes.

"They're at a stage where those people are going to be very frustrated by working for Ameritech," observes Bob Venable, an analyst with Robert W. Baird & Co. in Milwaukee.

AT&T at the gate

But things are changing for the consumer unit that Mr. Rooney is taking over. After months of shadow-boxing, New Jersey-based AT&T Corp. last month began competing with Ameritech for local telephone customers in Libertyville and Waukegan.

oversaw 33% growth in cellular subscribers last year, says the consumer unit is ready to compete.

"What we will do here will be many of the same things we did at cellular," he says.

Mr. Rooney's successor at the cellular unit will not have the same advantages he did. A business that has been limited to two competitors per market is getting more crowded as operators of a new breed of wireless service—called personal communications services—rush in. The Chicago market, for example, now has three wireless carriers and could have as many as seven by next year.

In the long-distance arena, Mr. Nowick's exit reflects a fundamental shift in Ameritech's approach to a business that seems forever just out of reach.

Ameritech originally believed it would be in the business by the end of 1995, a target that now seems two years too optimistic. A Federal Communications Commission ruling in December removed the need for a stand-alone subsidiary to market long-distance services.

While Mr. Nowick was not responsible for snafus in Ameritech's quest for regulatory approval to sell long-distance in the five states where it controls the local-service market, the former telecommunications executive and consultant faced a diminished role as the consumer and business services units took over marketing responsibility for long-distance.

The unit has been stripped down to a skeleton crew that will handle network management and product development.

Stocks losing their socks

MARKET *from Page 4*
Still, the $5.6-billion deal is now worth about $800 million less than when it was announced in late February.

The market rout iced plans of at least two Chicago technology companies to go public: Oak Brook information technology consultant SPR Inc. and Inverness-based Hartford Computer Group Inc., which resells computer equipment and software to businesses and distributors.

SPR Chief Financial Officer Stephen Gambill said his company is now "shooting towards next fall," adding, "We're waiting until the market rebounds."

Likewise, Hartford's approximately $52-million offering is in limbo, "definitely as a result of the market's weakness," said Chief Financial Officer Robert Zirk.

However, the market wasn't poison to Oak Forest's Hemlock cial real estate firm Grubb & Ellis Co., which saw its market capitalization more than double in the period. Grubb's shares soared 111% to $9.50 at the end of March, before slipping back to the $9 range last week.

Chief Financial Officer Brian Parker declined to comment on the stock price but noted the strong real estate market and Grubb's healthy balance sheet. The firm has raised a total of $21 million in equity since January and paid off its long-term debt.

Some escape plunge

The biggest quarterly gainer was Chicago's Metal Management Inc., a recent startup that aims to build a national chain of scrap metal dealers. Buoyed by three recent acquisitions, its stock rose 126% in the quarter to $8.75 and remained in that range last week.

Town on a tear sticks by its old name

CERTIFICATE OF SERVICE

I, Sylvia Chukwuocha, do hereby certify that a true copy of the foregoing "COMMENTS OF MCI TELECOMMUNICATIONS CORPORATION CONCERNING EXPEDITED RECONSIDERATION OF SECTION 272(e)(4)" was served this 17th day of March, 1997, by hand-delivery or first-class mail, postage prepaid, upon each of the following persons:

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